



November 8, 2004

212 565

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street NW
Washington, DC 20423-0001

RE: Finance Docket 30186 (Sub No. 2), Tongue River
Railroad Co. -- Rail Construction and Operation --
Ashland to Decker, Montana

Case 30186-2

NOV 17 2004

Surface
Transportation Board

Dear Mr. Williams:

I am submitting, on behalf of the Tongue River Railroad Company, an original and ten copies of our four-month progress report for the latest four-month period, pursuant to the Surface Transportation Board's favorable decision served November 8, 1996 in FD 30186 (Sub-No. 2).

Please note that a copy of the four-month report has been served only on the Parties of Record identified in the Surface Transportation Board's complete service list served October 3, 2003 and amended in a notice served by the Surface Transportation Board on October 24, 2003. We will continue to serve the four-month report on these parties.

Sincerely,

A handwritten signature in cursive script, reading 'Douglas A. Day'.

Douglas A. Day
Representative for the
Tongue River Railroad Company

Enc.

cc: Parties of record

TONGUE RIVER RAILROAD COMPANY

Four-Month Report to the Surface Transportation Board

November 8, 2004

1. Surface Transportation Board - Regulatory Proceedings

The regulatory process associated with Tongue River Railroad Company, Inc.'s application seeking authority to construct and operate the "Western Alignment" in Rosebud and Big Horn counties, and its proposal to modify limited portions of the approved rail line between Ashland and Miles City, Montana is progressing. The application in STB Finance Docket No. 30186 (Sub-No. 3) seeks authority from the Surface Transportation Board ("Board") to construct and operate the "Western Alignment" in Rosebud and Big Horn counties, and proposed adjustments to the alignments previously approved in Tongue River I and Tongue River II. The "Western Alignment" is proposed as an alternative routing for the southernmost 17.3-mile portion of the 41-mile Ashland to Decker, MT alignment approved by the Board in 1996.

A Draft Supplemental Environmental Impact Statement ("DSEIS") has been prepared by the Board's Section of Environmental Analysis ("SEA") pursuant to the Western Alignment application. The DSEIS was served on parties of record and delivered to the U.S. Environmental Protection Agency on October 15, 2004. A 45-day public comment period on the DSEIS is in process and will conclude with comments due on December 6, 2004. In addition to receiving written comments on the DSEIS, SEA will host two public meetings on November 16 and 17, 2004 in Miles City, MT and Ashland, MT, respectively, to accept written comments or oral comments from the public.

In addition to the Western Alignment application, the DSEIS includes a focused review of the EIS documents prepared in the previous approvals of Tongue River I and Tongue River II. The DSEIS also examines the analyses completed in Tongue River I and Tongue River II to determine whether circumstances have changed to warrant an update of the earlier environmental analyses.

2. Secondary Approvals

The DSEIS has been developed in consultation with three agencies that requested and were granted cooperating agency status: (1) the U.S. Army Corps of Engineers; (2) U.S. Department of Interior, Bureau of Land Management; and, (3) the Montana Department of Natural Resources and Conservation, acting as the lead agency for a number of state agencies. These agencies have decision-making authority for separate approvals or permits. In order to help these agencies fulfill their regulatory responsibilities and functions, and to avoid duplicative environmental analyses, the DSEIS includes environmental review specifically requested by the cooperating agencies. The inclusion of this information will facilitate and expedite the environmental review process.

3. Relationship with Burlington Northern Santa Fe

The Burlington Northern Santa Fe Railway continues to support development of the Tongue River Railroad project. The Burlington Northern Santa Fe and the Tongue River Railroad Company have maintained communications concerning the project throughout the reporting period. The parties have continued discussions relative to upper Midwest utility market demand, the regulatory review process and status, and the elements of an agreement between the parties.

4. Engineering and Design

Final engineering and design efforts remain on hold pending completion of the STB regulatory proceedings in TRR III. Tongue River Railroad design engineer representatives were available to respond to questions and requests for information posed as a result of the environmental review being conducted by the Board's Section of Environmental Analysis and to review certain aspects of the DSEIS.

5. TRRC Ownership Structure

Pursuant to the Board's October 20, 2004 decision, TRRC has provided a current diagram of the TRRC structure to the Board.

CERTIFICATE OF SERVICE

I hereby certify that on this 8th day of November, 2004, a copy of the foregoing document was served via first class mail, postage prepaid, to the following Parties of Record:

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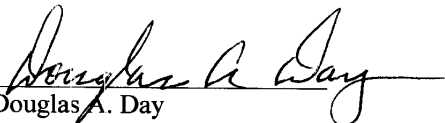
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